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STATE FOR WHA/CAN

E.O. 12958: N/A

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SUBJECT: LIBERALS TO SUPPORT BUDGET, WITH CONDITIONS

REF: OTTAWA 74

¶1. (SBU) Summary: Liberal leader Michael Ignatieff publicly confirmed on January 28 that his party will support PM Harper's latest "flawed" budget (septel), on the condition that the government submit three reports to Parliament this year on its budget implementation, notably about actual expenditures on infrastructure spending. The government will likely accept the demand and survive confidence votes on the budget tentatively scheduled for January 29, February 30, February 2, and/or February 13. End summary.

A "FLAWED" BUDGET

¶2. (U) In a press conference on January 28 on the FY 2009 budget (septel), new Liberal leader Michael Ignatieff first castigated the Conservatives for their "disastrous" fall Economic Statement and their "reckless, arrogant, and short-sighted" government. He criticized the government's budget proposal for not going far enough to improve eligibility for employment insurance, to create child care spaces, or to exploit opportunities in the green economy. In addition, he expressed concern over unilateral federal changes to the national equalization program (which redistributes income from wealthier to poorer provinces) and over anticipated delays in the flow of new infrastructure money, questioned the sale of government assets at "fire-sale" prices, and denounced the lack of a plan "to get Canada out of the C\$85 billion debt hole" that deficit spending would create.

¶3. (U) However, Ignatieff acknowledged that the government had made "important concessions," including money for social housing and infrastructure for the post-secondary education sector, which he claimed stemmed from the efforts of the "united opposition." He noted that targeted tax cuts to low and middle-income brackets were "not optimal," but were at least "just below the upper limit of tolerance."

HOLDING THE GOVERNMENT ACCOUNTABLE

¶4. (U) Reprising earlier comments that Canadians want another election now "like a hole in the head," Ignatieff emphasized that his job as Leader of the Official Opposition was to be "responsible" and to hold the Conservatives "accountable." He confirmed that he would make his party's support for the budget conditional on the government meeting its budget goals and pledged that he would "drill down hard" on the details. He promised that the Liberals would pose an amendment in the House of Commons later on January 28 to the government's budget motion requiring the government to report to the House three times per year (in March, June, and December) on its progress. He emphasized that if the government failed to live up to

its commitments, the Liberals would be ready to defeat the government.

15. (U) According to Ignatieff, the Conservative government was now "on probation." He noted that the budget met immediate needs, but added that future changes might be needed if economic conditions continued to deteriorate. He underscored the opposition parties' distrust of the PM, claiming that the government had been forced to take measures in which it did not believe by the threat of an opposition coalition and the economic crisis. He opined that this budget proposal had thrown the Canadian Conservative movement into deep ideological confusion "from which I hope it never recovers." He argued that his responsibility as leader of the Official Opposition was to "hold the government's feet to the fire." QOpposition was to "hold the government's feet to the fire."

COALITION: DEAD OR ALIVE?

16. (U) Ignatieff declined to declare December's coalition deal dead. While it retained some "problematic aspects," he commented that this discussion had changed Canadian politics "for the better" and may still be in the national interest. He warned the Conservatives to get used to continued co-operation among the opposition parties. However, New Democratic Party leader Jack Layton separately re-confirmed that the NDP will vote against the budget, but accused Ignatieff of hiding behind a budget amendment "fig leaf" and effectively forming a "new coalition" with PM Harper to continue former Liberal leader Stephane Dion's "policy" of propping up the Harper government. Bloc Quebecois leader Gilles Duceppe also indicated it will oppose the budget, and pronounced that the would-be Liberal/NDP coalition was "dead, finished, over."

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COMMENT

17. (SBU) Polls show that the majority of Canadians want the budget to pass and the government to begin implementing an economic stimulus of some sort. The Liberals and Conservatives fully understand this political reality, which is why the Conservative budget proposal included so many items to placate Liberal concerns, and why the Liberals are offering up a softball amendment with which the government can live. Ignatieff's threat to defeat the government if the new reports fail to satisfy the Liberals is a bit hollow, since only the government can designate matters as issues of confidence in the House of Commons, although the Liberals (or other opposition parties) could potentially use their allotted opposition days (which the Conservatives must schedule each session) to propose motions of non-confidence.
BREESE